

## WASHINGTON BUSINESS JOURNAL

### OPINION

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### **Like 9/11, Katrina requires federal small biz assistance**

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The Gulf region is home to nearly 900,000 small businesses, a number of which have been directly affected by Hurricane Katrina. These businesses form the foundation of the region's economy and their recovery is essential to the revitalization of the area.

Given the broad impact of Katrina, the federal government must play a central role in providing the tools and resources necessary for entrepreneurs to deal with the economic realities of this disaster and ensure they are able to fully rebuild, create new jobs and provide much-needed tax revenue to local and state resources.

Much about the federal government's ability to respond to super-disasters has been learned since the terrorist attacks of 9/11. The SBA led the efforts to assist small businesses located in the disaster areas in both New York and Virginia.

These businesses faced the most dire circumstances -- physical destruction, an inability to return to their original location for months and uncertain local economic conditions.

They required immediate financial assistance to stabilize their operations, maintain their payrolls and make emergency repairs. To meet these needs, small businesses were able to draw on long-term, low-interest loans made directly by the SBA.

#### **Post 9/11 struggles**

While small businesses in the disaster areas required immediate assistance, entrepreneurs nationwide were affected by the economic sluggishness caused by 9/11. These struggles stemmed from the severe downturns in travel and tourism, as well as from the short-term economic malaise that impaired the labor markets, business spending and consumer activity.

Nearly one year after 9/11, in July 2002, the unemployment rate was 5.9 percent, and 8.3 million Americans were unemployed. The effects rippled through the economy.

To assist businesses outside of the disaster area, Congress created the STAR program, which sought to draw on the banking industry's ability to channel capital to small businesses. The program helped to spur economic growth throughout the nation by providing loans to small firms adversely impacted by the terrorist attacks.

However, recent articles have misrepresented the intent of the STAR program, which was to act as an economic stimulus following 9/11. It is unfortunate that the reports implied that lenders and borrowers improperly used the program when nothing could be further from the truth.

Businesses of all types, across every industry, would not be running today if it had not been for STAR loans.

### **The new challenge**

As we move quickly to respond to Katrina, the needs of the most important sector in the economic recovery -- small businesses -- must not be overlooked.

While President Bush addressed the nation and laid out proposals to help small firms in the Gulf region, he failed to lay out specific steps that would provide the immediate relief they so desperately need.

Any proposal must ensure that affected businesses have access to financing tools that recognize the economic challenges these entrepreneurs face and take into account the substantial loss of their physical assets and the destruction of vital local infrastructure.

Also, financing tools that policymakers provide to businesses recovering from Katrina must incorporate reasonable underwriting standards and flexible repayment terms so these entrepreneurs are able to contribute to the Gulf region's revival.

There is a long road ahead for the Gulf region's small businesses. However, the challenges they are facing today -- emerging from a massive disaster and helping to rebuild an economy -- are nothing new to America's entrepreneurs, who overcome obstacles everyday.

Hurricane Katrina reminds us of the critical role small businesses will play in the Gulf region's economic recovery -- and how vital it is that these entrepreneurs receive the immediate assistance they need.

As their proven track record shows, small businesses will rise up to this challenge and lead the way toward an economic recovery once again.

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